### CONFERENCE COMMITTEE REPORT DIGEST FOR EHB 1453

**Citations Affected:** IC 27-16; IC 34-30-2-119.7.

Synopsis: Professional fundraisers and solicitors and professional employer organizations. Defines "bona fide employee" for purposes of regulating professional fundraisers. Requires a professional solicitor to provide certain information to charitable organizations. Allows the attorney general to seek remedies against nonprofit corporations and benevolent trusts for certain violations. Provides that venue in a proceeding by the attorney general against a trust lies in Marion County, unless venue in Marion County would constitute a hardship. Requires registration and regulation by the department of insurance of a professional employer organization. Specifies certain requirements for conduct with respect to functions of a professional employer organization. (This conference committee report: (1) requires registration and regulation by the department of insurance of a professional employer organization; and (2) specifies certain requirements for conduct with respect to functions of a professional employer organization.)

Effective: July 1, 2005.

## CONFERENCE COMMITTEE REPORT

#### **MADAM PRESIDENT:**

Your Conference Committee appointed to confer with a like committee from the House upon Engrossed Senate Amendments to Engrossed House Bill No. 1453 respectfully reports that said two committees have conferred and agreed as follows to wit:

that the House recede from its dissent from all Senate amendments and that the House now concur in all Senate amendments to the bill and that the bill be further amended as follows:

1	Page 8, between lines 11 and 12, begin a new paragraph and insert:
2	"SECTION 7. IC 27-16 IS ADDED TO THE INDIANA CODE AS
3	A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1,
4	2005]:
5	ARTICLE 16. PROFESSIONAL EMPLOYER
6	ORGANIZATIONS
7	Chapter 1. Applicability
8	Sec. 1. This article applies after December 31, 2005.
9	Chapter 2. Definitions
10	Sec. 1. The definitions in this chapter apply throughout this
11	article.
12	Sec. 2. (a) "Administrative fee" means the fee charged to a client
13	by a professional employer organization for professional employer
14	services.
15	(b) The term does not include any amount charged to a client by
16	a professional employer organization for wages and salaries,
17	benefits, worker's compensation, payroll taxes, withholding, or
18	other assessments paid by a professional employer organization to
19	or on behalf of a covered employee.
20	Sec. 3. "Client" means a person that enters into a professional
21	employer agreement with a professional employer organization.
22	Sec. 4. "Co-employed" means that an individual is
23	contemporaneously employed by both a client and a professional

1 employer organization. 2 Sec. 5. "Co-employer" refers to a client or a professional 3 employer organization that has entered into a professional 4 employer agreement and has a relationship with a co-employed 5 individual. 6 Sec. 6. "Co-employment relationship" means a relationship: 7 (1) between a: 8 (A) client and a professional employer organization; or 9 (B) co-employer and a covered employee; and 10 (2) that results from the client and the professional employer 11 organization entering into a professional employer agreement. 12 Sec. 7. "Commissioner" refers to the insurance commissioner 13 appointed under IC 27-1-1-2. 14 Sec. 8. (a) "Covered employee" means an individual who is 15 co-employed. 16 (b) The term includes an individual who is an officer, a director, 17 a shareholder, a partner, or a manager of a client to the extent the 18 professional employer organization and the client expressly agree 19 that the individual: 20 (1) is described in subsection (a); and 21 (2) acts as an operational manager or performs day to day 22 operational services for the client; 23 as reflected in the professional employer agreement. 24 Sec. 9. "Department" refers to the department of insurance 25 created by IC 27-1-1-1. 26 Sec. 10. "PEO group" means two (2) or more professional 27 employer organizations that are majority owned or commonly 28 controlled by the same entity, parent, or controlling person. 29 Sec. 11. "Person" means an individual, a partnership, a 30 corporation, a limited liability company, an association, or another 31 legally recognized entity. 32 Sec. 12. "Professional employer agreement" means a written 33 contract between a person and a professional employer 34 organization: 35 (1) under which all or a majority of the person's employees 36 become covered employees; 37 (2) that provides for the allocation of employer rights and 38 obligations between the person and the professional employer 39 organization with respect to the covered employees; and 40 (3) that specifies the professional employer services that will be 41 provided. 42 Sec. 13. (a) "Professional employer organization" or "PEO" 43 means a person engaged in the business of providing professional 44 employer services. 45 (b) The term does not include the following: 46 (1) An arrangement through which a person: 47 (A) whose principal business activity is an activity other than 48 entering into professional employer agreements; and 49 (B) that does not hold the person out as a professional 50

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shares employees with a commonly owned company within the

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employer organization;

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1	meaning of Section 414(b) and 414(c) of the Internal Revenue
2	Code of 1986, as amended.
3	(2) An independent contractor arrangement through which a
4	person:
5	(A) assumes responsibility for a product produced or a
6	service performed by the person or the person's agent; and
7	(B) retains and exercises primary direction and control over
8	the work performed by an individual whose services are
9	supplied under the independent contractor arrangement.
10	(3) The provision of temporary help services.
11	Sec. 14. "Professional employer services" means the services that
12	are provided to a client by a professional employer organization
13	under a professional employer agreement.
14	Sec. 15. "Temporary help service" means a service consisting of
15	a person that:
16	(1) recruits and hires the person's own employees, not
17	including an officer, a manager, or a controlling person of a
18	client to which the person's own employee is assigned by the
19	person;
20	(2) identifies organizations that need the services of employees
21	described in subdivision (1);
22	(3) assigns employees described in subdivision (1) to:
23	(A) perform work or services for organizations described in
24	subdivision (2);
25	(B) support or supplement the workforces of organizations
26	described in subdivision (2); or
27	(C) provide assistance in special work situations, including
28	employee absences, skill shortages, seasonal workloads, and
29	special assignments or projects; and
30	(4) customarily attempts to reassign the employees described in
3 1	subdivision (1) to other organizations when an assignment
32	described in subdivision (3) is completed.
33	Chapter 3. Effect on Rights, Duties, and Obligations
34	Sec. 1. This article and a professional employer agreement do not
35	affect, modify, or amend:
36	(1) a collective bargaining agreement; or
37	(2) rights or obligations of a client, PEO, or covered employee
38	under:
39	(A) the federal National Labor Relations Act (29 U.S.C. 151
40	et seq.);
41	(B) the federal Railway Labor Act (45 U.S.C. 151 et seq.); or
12	(C) IC 22-7.
13	Sec. 2. This article and a professional employer agreement do not
14	do the following:
15	(1) Diminish, abolish, or remove the obligations of a client to a
16	covered employee that exist before the effective date of the
17	professional employer agreement.
18	(2) Affect, modify, or amend a contractual relationship or
19	restrictive covenant:
50	(A) between a covered employee and a client that is in effect
51	on the effective date of the professional employer agreement;

1	or
2	(B) that is entered into between a client and a covered
3	employee after the effective date of the professional employer
4	agreement.
5	A PEO is not responsible or liable for a dispute in connection
6	with or arising out of a contractual relationship or restrictive
7	covenant described in this subdivision unless the PEO has
8	otherwise specifically agreed in writing.
9	(3) Create a new or additional enforceable right of a covered
10	employee against a PEO that is not specifically provided by the
11	professional employer agreement or this article.
12	Sec. 3. (a) This article and a professional employer agreement do
13	not affect, modify, or amend a federal, state, or local:
14	(1) license;
15	(2) registration; or
16	(3) certification;
17	requirement that applies to a client or covered employee.
18	(b) The following apply to a federal, state, or local requirement
19	described in subsection (a):
20	(1) A covered employee who is required to be licensed,
21	registered, or certified is considered solely an employee of the
22	client for purposes of a license, registration, or certification
23	requirement.
24	(2) A PEO is not considered to engage in an occupation, a
25	trade, a profession, or another activity that is:
26	(A) subject to a license, registration, or certification
27	requirement; or
28	(B) otherwise regulated by a governmental entity;
29	solely because the PEO has entered into and maintained a
30	co-employment relationship with a covered employee who is
31	subject to a requirement or regulation described in clause (A)
32	or (B).
33	(3) A client has the sole right of direction and control of the
34	professional or licensed activities of a covered employee and of
35	the client's business.
36	(4) Only a:
37	(A) covered employee; or
38	(B) client;
39	that is subject to a requirement or regulation described in
40	subdivision (2)(A) or (2)(B) is subject to the regulation by a
41	regulatory or governmental entity responsible for licensing,
42	registration, certification, or other regulation of the covered
43	employee or client.
44	Sec. 4. (a) For purposes of the determination of tax credits and
45	other economic incentives:
46	(1) provided by the state or another governmental entity; and
47	(2) based on employment;
48	a covered employee is considered an employee solely of the client.
49	(b) A client is entitled to the benefit of any tax credit, economic
50	incentive, or other benefit arising as the result of the employment
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of a covered employee of the client.

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1	(c) If the grant or amount of an incentive is based on the number
2	of employees a client employs:
3	(1) each client must be treated as employing only the covered
4	employees actually working in the client's business operations;
5	and
6	(2) covered employees working for other clients of the PEO
7	must not be counted.
8	(d) A PEO shall provide, upon request by a client or an agency
9	or a department of the state or of another governmental entity,
10	employment information:
11	(1) reasonably required by an agency or a department of the
12	state or of another governmental entity that is responsible for
13	administration of a tax credit or economic incentive described
14	in this section; and
15	(2) necessary;
16	to support a request, a claim, an application, or another action by
17	a client seeking a tax credit or an economic incentive.
18	Sec. 5. With respect to a bid, a contract, a purchase order, or an
19	agreement entered into with the state or a political subdivision of
20	the state, a client's status or certification as a:
21	(1) small, minority owned, disadvantaged, or woman owned
22	business enterprise; or
23	(2) historically underutilized business;
24	is not affected because the client has entered into the professional
25	employment agreement.
26	Chapter 4. Registration
27	
	Sec. 1. (a) A person shall not:
28	(1) provide professional employer services;
28 29	<ul><li>(1) provide professional employer services;</li><li>(2) advertise that the person:</li></ul>
28 29 30	<ul><li>(1) provide professional employer services;</li><li>(2) advertise that the person:</li><li>(A) is a professional employer organization; or</li></ul>
28 29 30 31	<ul> <li>(1) provide professional employer services;</li> <li>(2) advertise that the person:</li> <li>(A) is a professional employer organization; or</li> <li>(B) provides professional employer services; or</li> </ul>
28 29 30 31 32	<ul> <li>(1) provide professional employer services;</li> <li>(2) advertise that the person: <ul> <li>(A) is a professional employer organization; or</li> <li>(B) provides professional employer services; or</li> </ul> </li> <li>(3) otherwise hold the person out as a professional employer</li> </ul>
28 29 30 31 32 33	<ul> <li>(1) provide professional employer services;</li> <li>(2) advertise that the person: <ul> <li>(A) is a professional employer organization; or</li> <li>(B) provides professional employer services; or</li> <li>(3) otherwise hold the person out as a professional employer organization;</li> </ul> </li> </ul>
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28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48	<ul> <li>(1) provide professional employer services;</li> <li>(2) advertise that the person:</li> <li>(A) is a professional employer organization; or</li> <li>(B) provides professional employer services; or</li> <li>(3) otherwise hold the person out as a professional employer organization;</li> <li>in Indiana unless the person is registered under this article.</li> <li>(b) The registration requirement specified in subsection (a) applies to a person that performs any of the activities specified in subsection (a) regardless of the person's use of any of the following terms: <ul> <li>(1) Professional employer organization.</li> <li>(2) PEO.</li> <li>(3) Staff leasing company.</li> <li>(4) Registered staff leasing company.</li> <li>(5) Employee leasing company.</li> <li>(6) Administrative employer.</li> <li>(7) Any other name.</li> <li>Sec. 2. An applicant for registration under this article shall file with the department the following information: <ul> <li>(1) The name or names under which the applicant conducts</li> </ul> </li> </ul></li></ul>
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maintains in Indiana.

- (3) The applicant's taxpayer or employer identification number.
- (4) A list by jurisdiction of each name under which the applicant has operated in the preceding five (5) years, including any alternative names, names of predecessors, and, if known, successor business entities.
- (5) A statement of ownership that includes the name and evidence of the business experience of any person that, individually or acting in concert with one (1) or more other persons, owns or controls, directly or indirectly, twenty-five percent (25%) or more of the equity interests of the applicant.
- (6) A statement of management that includes the name and evidence of the business experience of any individual who serves as president, chief executive officer, or otherwise has the authority to act as senior executive officer of the applicant.

#### (7) A financial statement:

- (A) setting forth the financial condition of the applicant as of a date not earlier than one hundred eighty (180) days before the date the financial statement is submitted to the department;
- (B) prepared in accordance with generally accepted accounting principles; and
- (C) reviewed by an independent certified public accountant licensed to practice in the jurisdiction in which the accountant is located.
- Sec. 3. (a) A PEO that is operating in Indiana on January 1, 2006, shall complete the PEO's initial registration not later than July 1, 2006.
- (b) An initial registration under subsection (a) is valid until the end of the PEO's first fiscal year end that occurs after December 31, 2006.
- (c) A PEO that is not operating in Indiana on December 31, 2005, shall complete the PEO's initial registration before commencement of operations in Indiana.
- Sec. 4. A PEO shall, not more than one hundred eighty (180) days after the end of the PEO's fiscal year, renew the PEO's registration by filing a statement notifying the department of any changes in the information provided in the PEO's most recent registration or renewal.
- Sec. 5. A PEO group may satisfy the reporting and financial requirements of this chapter on a combined or consolidated basis if each member of the PEO group guarantees the obligations under this article of each other member of the PEO group.
- Sec. 6. (a) A PEO that is not domiciled in Indiana is eligible for a limited registration under this article if the PEO:
  - (1) submits a properly executed request for limited registration on a form prescribed by the department;
  - (2) is licensed or registered as a professional employer organization in another state that has licensure or registration requirements that are:

1	(A) substantially the same as; or
2	(B) more restrictive than;
3	the requirements of this article;
4	(3) does not:
5	(A) maintain an office; or
6	(B) directly solicit clients located or domiciled;
7	in Indiana; and
8	(4) does not have more than fifty (50) covered employees who
9	are employed or domiciled in Indiana on any day.
10	(b) A limited registration is valid for one (1) year and may be
11	renewed.
12	(c) A PEO that seeks limited registration under this section shall
13	provide to the department information and documentation
14	necessary to show that the PEO qualifies for a limited registration.
15	(d) IC 27-16-6-1(a)(1) does not apply to a PEO that applies for
16	limited registration under this section.
17	Sec. 7. The department shall adopt rules under IC 4-22-2 to
18	provide for registration of a PEO without compliance with this
19	chapter and IC 27-16-6 by the commissioner's acceptance of an
20	affidavit or a certification:
21	(1) provided by a bonded, independent, and qualified assurance
22	organization that has been approved by the commissioner; and
23	(2) that certifies the qualifications of a professional employer
24	organization.
25	Sec. 8. The department shall maintain a list of PEOs that are
26	registered under this article.
27	Sec. 9. The department may prescribe forms necessary to
28	promote the efficient administration of this chapter.
29	Sec. 10. All records, reports, and other information obtained
30	from a PEO under this chapter, except to the extent necessary for
31	the proper administration of this chapter by the department, are
32	confidential.
33	Chapter 5. Fees
34	Sec. 1. Upon filing an initial registration application under
35	IC 27-16-4-2, a PEO shall pay an initial registration fee not to
36	exceed five hundred dollars (\$500).
37	Sec. 2. Upon the filing of an annual renewal of a registration
38	under IC 27-16-4-4, a PEO shall pay a renewal fee not to exceed
39	two hundred fifty dollars (\$250).
40	Sec. 3. Upon initial application for limited registration under
41	IC 27-16-4-6 and upon each annual renewal of the limited
42	registration, a PEO shall pay a fee not to exceed two hundred fifty
43	dollars (\$250).
44	Sec. 4. The department shall adopt rules under IC 4-22-2 to
45	specify any fee to be charged for a PEO group registration.
46	Sec. 5. A PEO seeking registration under IC 27-16-4-7 shall pay
47	an initial and annual fee not to exceed two hundred fifty dollars
48	(\$250).
49	Sec. 6. (a) The department shall adopt rules under IC 4-22-2 to
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specify any other fee to be charged under this article.

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(b) A fee:

(1) for which the amount is not specified in; and 1 2 (2) that is charged under; 3 this article must not exceed the amount reasonably necessary for 4 the administration of this article. 5 Sec. 7. Fees collected under this chapter shall be deposited in the 6 department of insurance fund established by IC 27-1-3-28. 7 Chapter 6. Financial Requirements 8 Sec. 1. (a) A PEO shall maintain either: 9 (1) subject to section 2 of this chapter, a minimum net worth of 10 fifty thousand dollars (\$50,000); or (2) subject to subsection (b), a bond with a market value of at 11 12 least fifty thousand dollars (\$50,000). 13 (b) A bond described in subsection (a)(2) must be held by a 14 depository designated by the department, securing payment by the 15 PEO of all taxes, wages, benefits, or other entitlement due to or 16 with respect to covered employees in the event that the PEO does 17 not make the payments when due. 18 Sec. 2. A bond described in section 1(a)(2) of this chapter must 19 not be included in the calculation of the minimum net worth 20 described in section 1(a)(1) of this chapter. 21 Chapter 7. General Requirements and Provisions 22 Sec. 1. Except as provided in a professional employer agreement, 23 the following apply to a co-employment relationship: 24 (1) The client: 25 (A) may exercise and enforce all rights; and 26 (B) is obligated to perform all duties and responsibilities; 27 that otherwise apply to an employer in an employment 28 relationship, that are allocated to the client by the professional employer agreement and this article, and that are not 29 30 specifically allocated to the PEO by the professional employer agreement and this article. 31 (2) The PEO: 32 33 (A) may exercise and enforce only the rights; and 34 (B) is obligated to perform only the duties and 35 responsibilities; 36 that are required of the PEO or specifically allocated to the 37 PEO by this article and the professional employer agreement. 38 (3) Unless otherwise expressly agreed by the PEO and the client 39 in the professional employer agreement, the client retains the 40 exclusive right to direct and control the covered employees as 41 necessary to: 42 (A) conduct the client's business; 43 (B) discharge the client's fiduciary responsibilities; or 44 (C) comply with licensure requirements that apply to the 45 client or the covered employees. 46 Sec. 2. (a) Except as provided in this article, the co-employment 47 relationship between a client and a PEO, and between a 48 co-employer and a covered employee, is governed by the 49 professional employer agreement. 50 (b) A professional employer agreement must specify the

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following:

- (1) The allocation of rights, duties, and responsibilities described in section 1 of this chapter.(2) Except as provided in subsection (c), that the PEO is responsible for:
  - (A) payment of wages to covered employees;
  - (B) withholding, collection, reporting, and remittance of payroll related and unemployment taxes; and
  - (C) to the extent the PEO has assumed responsibility in the professional employer agreement, making payments for employee benefits for covered employees.
  - (3) The allocation, to either the client or the PEO, of the responsibility to obtain worker's compensation coverage for covered employees from a worker's compensation insurer that is authorized under this title to conduct the business of insurance in Indiana.
  - (4) If the professional employer agreement allocates the responsibility under subdivision (3) to the PEO, a requirement that the PEO maintain and provide to the client, at the client's request at the termination of the professional employer agreement, records regarding loss experience related to the worker's compensation insurance coverage.
  - (c) A PEO is not responsible for an obligation between a client and a covered employee for payments in addition to the covered employee's salary, draw, or regular rate of pay, including bonuses, commissions, severance pay, deferred compensation, profit sharing, or vacation, sick, or other paid time off, unless the PEO has expressly agreed to assume liability for the payments in the professional employer agreement.
  - Sec. 3. A PEO shall provide written notice to each covered employee who is affected by a professional employer agreement entered into by the PEO concerning the general nature of the co-employment relationship between and among the PEO, the client, and the covered employee.
  - Sec. 4. (a) Except as expressly provided by the professional employer agreement:
    - (1) a client:

- (A) is solely responsible for:
  - (i) the quality, adequacy, or safety of goods or services produced or sold in the client's business;
  - (ii) directing, supervising, training, and controlling the work of a covered employee with respect to the business activities of the client; and
  - (iii) the acts, errors, or omissions of a covered employee with respect to activities described in item (ii); and
- (B) is not liable for the acts, errors, or omissions of:
- (i) the PEO; or
- (ii) a covered employee of the client and a PEO when the covered employee is acting under the express direction and control of the PEO.
- (2) A PEO is not liable for the acts, errors, or omissions of a client or a covered employee of the client when the covered

the client.  (3) A covered employee is not, solely as the result of being a covered employee of a PEO, an employee of the PEO for purposes of:  (A) general liability insurance; (B) fidelity bonds; (C) surety bonds; (D) employer's liability that is not covered by worker's compensation; or (E) liquor liability insurance; carried by the PEO unless the covered employee is specified as an employee of the PEO by specific reference in the professional employer agreement and any applicable prearranged employment contract, insurance contract, or bond.  (b) This section does not limit: (1) a contractual liability or obligation specified in a professional employer agreement; or (2) the liabilities and obligations of a PEO or client as specified in this article. Sec. 5. A PEO that offers, markets, sells, administers, or provides professional employer services under a professional employer agreement as provided in this article is not: (1) engaged in the business of insurance; or (2) acting as an administrator (as defined in IC 27-1-25-1). Sec. 6. (a) A business license fee or another fee that is based upon gross receipts must, in the case of a PEO, be based upon the administrative fee of the PEO. (b) A tax assessed on a per capita or per employee basis must be assessed against a: (1) client for covered employees; and (2) PEO for the PEO's employees who are not covered employees. (c) In the case of tax imposed or calculated upon the basis of total payroll, a PEO is eligible to apply a small business allowance or exemption available to the client for covered employees for the purpose of computing the tax.  Chapter 8. Benefit Plans Sec. 1. A client and a PEO are each considered to be an employer for purposes of sponsoring retirement and welfare benefit plans for covered employees.  Sec. 2. A fully insured welfare benefit plan offered to covered employees of a single PEO is: (1) considered to be a single employer welfare arrangement (as defined in IC 27-1-34-1(b)) and is not required to comply with IC 27-1-34. Sec. 3. For purpo	1	employee is acting under the express direction and control of
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purposes of:  (A) general liability insurance;  (B) fidelity bonds;  (C) surety bonds;  (D) employer's liability that is not covered by worker's compensation; or  (E) liquor liability insurance;  carried by the PEO unless the covered employee is specified as an employee of the PEO by specific reference in the professional employer agreement and any applicable prearranged employment contract, insurance contract, or bond.  (b) This section does not limit:  (1) a contractual liability or obligation specified in a professional employer agreement; or  (2) the liabilities and obligations of a PEO or client as specified in this article.  Sec. 5. A PEO that offers, markets, sells, administers, or provides professional employer services under a professional employer agreement as provided in this article is not:  (1) engaged in the business of insurance; or  (2) acting as an administrator (as defined in IC 27-1-25-1).  Sec. 6. (a) A business license fee or another fee that is based upon gross receipts must, in the case of a PEO, be based upon the administrative fee of the PEO.  (b) A tax assessed on a per capita or per employee basis must be assessed against a:  (1) client for covered employees; and  (2) PEO for the PEO's employees who are not covered employees.  (c) In the case of tax imposed or calculated upon the basis of total payroll, a PEO is eligible to apply a small business allowance or exemption available to the client for covered employees for the purpose of computing the tax.  Chapter 8. Benefit Plans  Sec. 1. A client and a PEO are each considered to be an employer for purposes of sponsoring retirement and welfare benefit plans for covered employees.  Sec. 2. A fully insured welfare benefit plan offered to covered employees of a single PEO is:  (1) considered to be a single employer welfare benefit plan; and (2) not a multiple employer welfare arrangement (as defined in IC 27-1-34-1(b)) and is not required to comply with IC 27-1-34.  Sec. 3. For purposes of IC 27-8-15, all covered employees of a PEO particip	3	(3) A covered employee is not, solely as the result of being a
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46 (2) not a multiple employer welfare arrangement (as defined in 47 IC 27-1-34-1(b)) and is not required to comply with IC 27-1-34. 48 Sec. 3. For purposes of IC 27-8-15, all covered employees of a 49 PEO participating in a group health benefit plan sponsored by the 50 PEO are considered to be:	44	employees of a single PEO is:
IC 27-1-34-1(b)) and is not required to comply with IC 27-1-34. Sec. 3. For purposes of IC 27-8-15, all covered employees of a PEO participating in a group health benefit plan sponsored by the PEO are considered to be:	45	(1) considered to be a single employer welfare benefit plan; and
IC 27-1-34-1(b)) and is not required to comply with IC 27-1-34. Sec. 3. For purposes of IC 27-8-15, all covered employees of a PEO participating in a group health benefit plan sponsored by the PEO are considered to be:	46	
Sec. 3. For purposes of IC 27-8-15, all covered employees of a PEO participating in a group health benefit plan sponsored by the PEO are considered to be:	47	. , , , , , , , , , , , , , , , , , , ,
PEO participating in a group health benefit plan sponsored by the PEO are considered to be:	48	
PEO are considered to be:	49	
	50	
	51	

1	(2) participating in a single employer plan.
2	Sec. 4. If a PEO offers to the PEO's covered employees a health
3	benefit plan that is not fully insured by an insurer authorized
4	under this title to conduct the business of insurance in Indiana, the
5	health benefit plan must:
6	(1) be administered by an administrator licensed under
7	IC 27-1-25;
8	(2) hold all plan assets, including participant contributions, in
9	a trust account;
10	(3) provide sound reserves for the health benefit plan as
11	determined using generally accepted actuarial standards as set
12	forth in an actuarial opinion filed with the commissioner and
13	prepared and signed by a qualified actuary who:
14	(A) is a member in good standing of the American Academy
15	of Actuaries; and
16	(B) meets the requirements established by the commissioner
17	in rules adopted under IC 4-22-2;
18	(4) annually submit current audited financial statements to the
19	commissioner;
20	(5) at the discretion of the commissioner, possess a written
21	commitment, binder, or policy for stop-loss insurance:
22	(A) issued by an insurer authorized to conduct the business
23	of insurance in Indiana; and
24	(B) that meets any specific and total coverage requirements
25	established by the commissioner in rules adopted under
26	IC 4-22-2;
27	(6) be subject to audit for compliance with the requirements of
28	this section by the department on a random basis or upon a
29	finding of reasonable need; and
30	(7) provide written notice to each covered employee
31	participating in the health benefit plan that the health benefit
32	plan is:
33	(A) self-insured or not fully insured; and
34	(B) subject to the federal Employee Retirement Income
35	Security Act of 1974 (29 U.S.C. 1001 et seq.).
36	Chapter 9. Worker's Compensation
37	Sec. 1. Subject to the specification required under
38	IC 27-16-7-2(b)(3), a client and a PEO are both considered the
39	employer of a covered employee for purposes of coverage under
40	IC 22-3-2 through IC 22-3-7.
41	Sec. 2. The protection of the exclusive remedy provisions of
42	IC 22-3-2-6 and IC 22-3-7-6 apply to the PEO, the client, and each
43	covered employee and other employee of the client regardless of
44	whether the PEO or the client is responsible to obtain the worker's
45	compensation coverage for the covered employees under the
46	professional employer agreement.
47	Chapter 10. Unemployment Compensation Insurance
48	Sec. 1. (a) For purposes of IC 22-4, a covered employee of a PEO
48	is an employee of the PEO.
50	(b) A PEO is responsible for the payment of contributions,
51	penalties, and interest on wages paid by the PEO to the PEO's
JI	penances, and interest on wages paid by the reo to the reo s

covered employees during the term of the professional employer agreement.

Sec. 2. A PEO shall report and pay all required contributions to the unemployment compensation fund as required by IC 22-4-10 using the state employer account number and the contribution rate of the PEO.

Sec. 3. Upon the:

- (1) termination of a professional employer agreement; or
- (2) failure by a PEO to submit reports or make tax payments as required under this article;

the client must be treated by the department of workforce development as a new employer without a previous experience record unless the client is otherwise eligible for an experience rating."

Page 9, after line 18, begin a new paragraph and insert:

"SECTION 10. IC 34-30-2-119.7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 119.7. IC 27-16-3-2(2) (Concerning a dispute involving a professional employer organization).

SECTION 11. [EFFECTIVE JULY 1, 2005] (a) Notwithstanding IC 27-16-4-7, as added by this act, the department of insurance shall carry out the duties imposed upon it under IC 27-16-4-7 under interim written guidelines approved by the insurance commissioner.

- (b) This SECTION expires on the earlier of the following:
  - (1) The date rules are adopted under IC 27-16-4-7.
  - (2) December 31, 2006.

SECTION 12. [EFFECTIVE JULY 1, 2005] (a) Notwithstanding IC 27-16-5-4, as added by this act, the department of insurance shall carry out the duties imposed upon it under IC 27-16-5-4 under interim written guidelines approved by the insurance commissioner.

- (b) This SECTION expires on the earlier of the following:
  - (1) The date rules are adopted under IC 27-16-5-4.
- (2) December 31, 2006.

SECTION 13. [EFFECTIVE JULY 1, 2005] (a) Notwithstanding IC 27-16-5-6, as added by this act, the department of insurance shall carry out the duties imposed upon it under IC 27-16-5-6 under interim written guidelines approved by the insurance commissioner.

- (b) This SECTION expires on the earlier of the following:
  - (1) The date rules are adopted under IC 27-16-5-6.
  - (2) December 31, 2006.".
- 45 Renumber all SECTIONS consecutively.

(Reference is to EHB 1453 as printed March 25, 2005.)

# Conference Committee Report on Engrossed House Bill 1453

S	igned	by:

Representative Richardson	Senator Clark	
Chairperson		
Representative Dickinson	Senator Lewis	
House Conferees	Senate Conferees	